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Evaluation and selection of job candidates

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applicable local law for the settlement of estates. . . If the administration of an estate is unreasonably prolonged, the estate is considered terminated for Federal income tax purposes after the expiration of a reasonable period for the performance by the executor of all of the duties of administration.”

One question is whether the I.R.C. § 641 regulations trump the very specific language of I.R.C. § 1361(c)(2)(A) and have relevance to how long S corporation stock can be held after death in a grantor trust or testamentary trust. The regulations under I.R.C. § 641 were proposed and adopted in 1956, before the enactment of Subchapter S of the Internal Revenue Code, and neither section makes reference to the other provision. However, the I.R.C. § 1361 regulations do refer to I.R.C. § 641.

The regulations under I.R.C. § 1361(c)(2)(B) are ambiguous. Those regulations state that a grantor trust that continues in existence after the death of the deemed owner is an eligible shareholder “. . . but only for the 2-year period beginning on

the day of the deemed owner’s death.” The regulation goes on to state “. . . a trust is considered to continue in existence if the trust continues to hold the stock pursuant to the terms of the will or trust agreement, or if the trust continues to hold the stock during a period reasonably necessary to wind up the affairs of the trust.” [Id.] Yet the preceding sentence from the regulations merely states that the trust “. . . is considered to continue in existence” . . . “if the trust continues to own stock, not that the shareholder is a permissible shareholder of an S corporation.” The fact that the regulations under I.R.C. § 1361 seemingly contradict the statute raises a question as to the validity of the regulations.

The consequences of violating the requirements of I.R.C. § 1361(c)(2)(A) can be severe – the S election is terminated inasmuch as the corporation ceases to be a “small business corporation.” Therefore, the prudent course would appear to be to follow the statutory language – do not allow trust ownership (grantor trusts and testamentary trusts) to continue beyond the two-year period.



Evaluation and selection of job candidates

by Melissa O'Rourke, farm & agribusiness management specialist, 712-737-4230, morourke@iastate.edu

Significant time and energy goes into the employee recruitment and interview process. The farm employer has invested effort in various stages such as: (1) analyzing labor needs; (2) writing position descriptions and recruiting candidates, and (3) scheduling and conducting well-planned interviews. When the interview process is complete, the employer will check references, evaluate the candidates, and hopefully extend a job offer.

The process of evaluating the candidates following the interview and reference-checking stage should

be given the same attention as other steps in the employment process. Ideally, the recruitment and interview steps have yielded several candidates from which to choose. It is important to reflect on the candidates and take the time to make a good selection. Farmers know the investment necessary to hire and train employees.

First, go back to the position description and review the necessary qualifications for the job. Assess how well each candidate meets the basic qualifications and rank them on this basis.

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Second, consider and rank the candidates in regard to other traits that you want to see in your team members. These include attributes such as dependability, positive attitude, aptitude and ability to get along with co-workers. Your interview process and reference checks will help you to gather information on these characteristics.

In an ideal world, the job applicant who is most highly qualified in terms of experience and education will also possess the skills to work well with others along with dependability, a positive attitude and willingness to learn. However, we sometimes find extremely qualified individuals who lack the attitudinal skills.

Surveys show that a number of top reasons for employee termination are unrelated to job task performance, but rather connected to employee inability to appropriately interact with co-workers and supervisors. Problems include the refusal to follow directions, talking too much and causing conflict with co-workers, resulting in reduced productivity. Interview techniques can give the employer insight into these issues and assist in evaluating the candidates. Reference checks can also be of some assistance.

As you narrow your choices, remember that a job applicant with the right attitude and people skills may be a better choice even if the individual is lacking a specific job skill. It may be worth the employer's time and investment to provide some training for particular tasks to a willing learner. It is much more difficult – if not impossible – for the employer to teach attitudinal skills that were missing long before the applicant came to your farm. It may be preferable to select the candidate who will fit into the make-up of your farm team if you can provide training for work duties.

Once your employment offer has been accepted, bring the new employee in as soon as possible to complete the paperwork, forms and procedures necessary for compliance with state and federal law. See **Ag Decision Maker File C6-58, Checklist for Iowa Agricultural Employers**, for a list of those forms and links to instructions. Get your new employee off to a good start with a planned orientation program, as well as initial and ongoing training opportunities.

As always, feel free to contact me with any of your farm employee management questions.

Research briefs from the Department of Economics

AAEA recognizes diversity of department talent

The Department of Economics at Iowa State University was honored through numerous recognitions at the recent Agricultural & Applied Economics Association (AAEA) 2012 Awards & Fellows Recognition Ceremony in Seattle, Washington, August 12-14.

John Schroeter, department interim chair and professor of economics, said, "I was able to attend the awards program in Seattle and had the pleasure of seeing several of our department's faculty and staff recognized for accomplishments in a broad range of categories. It was a very nice tribute to both the

quality and the diversity of the work that we do in agricultural and applied economics."

Awardees include the following:

- Professor Helen Jensen - AAEA Fellow
- Professor Brent Kreider (shared award with two co-authors) - Outstanding Applied Economic Perspectives & Policy Article Award
- Professor GianCarlo Moschini - Quality of Communication Award
- Professor Wallace Huffman - Quality of Communication Award (Honorable Mention)
- Professors Joseph Herriges, Catherine Kling, Dan Otto; John Downing (ISU) and Kevin Egan (University of Toledo) - Bruce Gardner

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Memorial Prize for Applied Policy Analysis

- Farm management team members Tim Eggers, J. Bob Wells and Kelvin Leibold (shared with others from the University of Missouri and the University of Illinois) - Distinguished Extension/Outreach Program Award
- Agricultural Business Club - Outstanding Undergraduate Club and Academic Quiz Bowl Champions

The AAEA, formerly the American Agricultural Economics Association, is the main professional association serving the interests of members working in agricultural and broadly related fields of applied economics.

New report by Eathington/Swenson explores impacts of drought on Iowa's economy

With all of Iowa's counties considered to be in severe drought and a third suffering exceptional drought conditions, what are the anticipated impacts on Iowa's economy? Dave Swenson, associate scientist with the Department of Economics, and Liesel Eathington, director of Iowa Community Indicators Program (ICIP), have prepared a brief through Iowa State University Extension and Outreach designed to address the potential outcomes. To learn more, go to: <http://www.econ.iastate.edu/sites/default/files/publications/papers/p15292-2012-08-08.pdf>.

Updates, continued from page 1

Internet Updates

The following information files have been added or updated on www.extension.iastate.edu/agdm.

Drought Damage Can Affect Crop Insurance Yields – A1-59 (2 pages)

Energy and Economic Returns by Crop Rotation – A1-90 (8 pages)

Current Profitability

The following tools have been updated on www.extension.iastate.edu/agdm/info/outlook.html.

Corn Profitability – A1-85

Soybean Profitability – A1-86

Iowa Cash Corn and Soybean Prices – A2-11

Season Average Price Calculator – A2-15

Ethanol Profitability – D1-10

Biodiesel Profitability – D1-15

Returns for Farrow-to-Finish – B1-30

Returns for Weaned Pigs – B1-33

Returns for Steer Calves – B1-35

Returns for Yearling Steers – B1-35

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Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

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